

LAND MANAGEMENT SERVICES

ANNUAL REPORT

1999-2000

Letter to the Lieutenant Governor

August 3, 2000

The Honourable P. Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Fifth Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2000.

Respectfully submitted,


Steve Ashton
Minister of Highways and
Government Services



Manitoba



Deputy Minister of
Government Services

August 3, 2000

The Honourable Steve Ashton
Minister Responsible for the
Land Management Services Agency
Highways and Government Services
Room 203 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit, for your consideration, the Fifth Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2000.

The Agency has made positive progress in providing improvements to its operations, services and financial performance in the 1999/2000 fiscal year, while operating under the Special Operating Agency (SOA) initiative.

The Agency's Advisory Board is pleased with the success of the Agency and encouraged by the commitment of its employees and the support of its stakeholders.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerry Berezuk". The signature is fluid and cursive, with a large initial "G" and "B".

Gerry Berezuk
A/Deputy Minister and Chairperson of the
LMS Advisory Board

ILMS

LAND MANAGEMENT SERVICES

308 - 25 Tupper Street North
Portage la Prairie MB R1N 3K1

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September 12, 2000

Gerry Berezuk
A/Deputy Minister
Manitoba Government Services
332 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Deputy Minister:

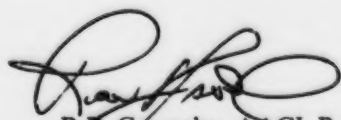
It is with great pleasure that I present the Fifth Annual Report of Land Management Services Agency (LMS) for the fiscal year ended March 31, 2000.

This report provides an overview of the Agency and outlines our accomplishments during our fifth year (1999/2000) as a Special Operating Agency (SOA).

LMS's fifth year was highlighted by continued stable sales, not only to the Province, but to Municipal Governments as well. The Agency continued to develop client services, providing online reporting for clients.

The management and staff of LMS have worked together to make the Agency an efficient customer oriented organization providing clients with timely cost-effective services. The staff is to be commended for their professionalism and dedication to customer service.

Respectfully submitted,



R.P. Csversko, AACI, P APP
A/Chief Operating Officer

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Land Management Services is committed
to providing quality comprehensive land management services
to various levels of Government Departments, Boards,
Commissions, Corporations and Agencies.

OUR MISSION

To provide comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporations and Agencies.

OUR GOAL

To be the prime supplier of centralized, "one-stop shopping" real estate services to the Manitoba public sector using an optimal blend of internal and external resources.

OUR OBJECTIVES

- To be a proactive participant in identifying properties surplus to Government requirements;
- To prepare and market for sale, properties identified as surplus to Government requirements;
- To review the appropriateness of assessments levied against Government properties and file appeals as required;
- To provide efficient and effective property management services that offer better value for money than clients could otherwise achieve;
- To achieve financial and other performance targets as the Minister of Highways and Government Services may from time-to-time decide, through consultation with the Deputy Minister and the Assistant Deputy Minister;
- To run Agency operations, as far as practical, according to best business practices;
- To maintain and renew equipment and other assets, in light of operational needs, using appropriate methods of investment;
- To follow best public and private sector employment practices and to improve staff involvement to the greatest degree practicable, in all aspects of operations;
- To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

MESSAGE FROM THE CHIEF OPERATING OFFICER

On behalf of the management and staff, I am pleased to report on the activities, challenges and directions of Land Management Services (LMS).

1999/2000 represents the fifth year of operation for LMS as a Special Operating Agency (SOA).

During the year, LMS reviewed the cost of providing specific services versus the charges levied. It was determined that a 20% increase in our hourly rate charged by our field staff was required to maintain margins established when LMS became an SOA. Treasury Board approved the new rate structure to take effect in the new year. LMS, after the increase is in effect, is still capable of providing comparable appraisal services at 6% less than the best rate quoted by the private sector to our internal clients during our fourth year effectiveness review. This rate structure variance between private industry and LMS has generated a cost saving to the province of \$400,000 for the current year and an expected \$100,000 for the coming year.

HIGHLIGHTS OF THE YEAR

During the year, we were able to finalize the implementation of our Notes Application for Land Management Services (NALMS) reporting project for client access over the internet. We expect full access to be available by July 1, 2000 to those clients requesting real time online project reporting.

Ongoing work for the Department of Conservation included the purchase of land

to ring dyke communities as well as preliminary appraisal work for the acquisition of properties in the St. Mary's Road for bay area.

A new service will be introduced for the forthcoming year. The new service will be for the contracting and supervision of clean up on land purchased where improvements will subsequently be sold and removed.

LMS in partnership with Private Sector Technology Corporations is assisting Project S.A.M. in setting up a staff-training site, which is designed to provide medically challenged people on job training to allow for their entrance into the main stream workforce.

LMS attained a net income of \$208.3 compared to a budgeted net income of \$526.8. The shortfall of \$318.5 is mainly made up of ongoing assessment reviews.

We again acknowledge the contribution of our staff who work hard to assist in our success. We also acknowledge the strong support and guidance received from our senior management. Continued support by our clients is greatly appreciated and acknowledged.

D.A. Parnell
Chief Operating Officer

REVIEW OF OPERATIONS

The 1999/2000 business plan listed goals to be achieved by each category; complete with defined performance indicators identified for each of the individual objectives to achieve these goals. LMS is proud to convey that the majority of these objectives were met or exceeded.

SYSTEMS: INFORMATION AND TECHNOLOGY PLAN

Data conversion of information was specified as a critical requirement for this year. Conversion of 10,000 backlog files identified at risk of disaster was converted into digital format. 15,000 of the 48,000 legal pockets requiring scanning over a four-year period is on track, the original pockets had an estimated 5 pages per pocket, current pockets have an average of 15 pages.

Further developments in the Notes Application DataBase consisted of better search engines for access to the multiple data bases used for research. Reporting has been enhanced for both departmental and project reporting, testing is currently occurring with completion expected early in the fiscal year 2000/2001.

The development and implementation of a Human Resources Database has been completed as scheduled. This database is multi-faceted, letting employees update their timesheet electronically from any location, scheduling vacations for approval by management, tracking and reporting, and many other tasks.

HUMAN RESOURCES

LMS has strived to improve employee involvement and has developed and implemented programs for succession planning. Included in this process is the ongoing technical training to provide more efficient customer services, and working in conjunction with the Human Resources Services to enhance communication and improve the workplace environment.

MARKETING

A major emphasis has been in the expansion of the customer satisfaction. The client base exceeded budget by 12%.

A review of our rate structure was completed and the Treasury Board approved the recommended increases. The study compared the revised rates to several comparable firms and found that the revised rates are still below industry standards. This confirms our clients are receiving fair pricing by LMS.

The development and implementation of the NALMS reporting designed to assist in estimating budgets for clients projects is complete. This is another added service LMS offers its clients to assist our customer plan and analyze project performance.

OPERATIONAL STATUS

APPRAISAL AND ACQUISITION ACTIVITIES

In the 1999/2000 fiscal year, this section served 20 clients and received 122 requests for new projects. During this fiscal year 95 projects were completed, some of which were started in 1998/1999.

A total of 154 properties were acquired for department or agency projects. Of these 112 were for Manitoba Highways, 29 for the Water Resources Branch of the Department of Natural Resources, 11 Manitoba Emergency Measures Organization, 1 Conservation (formerly Natural Resources), and 1 Abandoned Railway. A total of 635.22 acres of land was acquired at a cost of \$3,050,676. There were 7 projects and 14 properties expropriated.

A total of 280 appraisals have been completed for Manitoba Emergency Measures Organization since the commencement of the program in 1997. The total estimated value of the property appraised to date is approximately \$22,617,758.

Manitoba Housing:

1998 Tax Base Year (to date)

39 properties were appealed to the Board of Revision. Out of those 39 properties, 33 properties received a reduction in assessments of \$19,060,220. 4 properties were appealed to the Municipal Board with a reduction in assessments of \$2,809,680. LMS negotiated 1 property the City of Winnipeg appealed and received a reduction in assessment of \$405,400. 3 properties were appealed to the Municipal Board by

the City of Winnipeg and were negotiated with LMS that resulted in an increase in assessments of \$462,300. *These 1998 Assessment Appeals are now complete.*

1999 Tax Base Year (to date)

318 properties were appealed to the Board of Revision out of that number 178 properties received a reduction in assessments of \$7,944,730. The Board of Revision determined that 140 properties did not warrant a reduction. 81 properties have been appealed to the Municipal Board. The results to date are as follows: LMS negotiated 62 properties with the City of Winnipeg and reduced the assessment by \$11,743,750. 12 properties received a reduction in assessment at the Municipal Board of \$112,200 (*single family dwellings*). LMS withdrew 2 properties from the Municipal Board 5 properties the City of Winnipeg appealed to the Municipal Board were negotiated with LMS and resulted in an increase in assessment of \$620,400. *These 1999 Assessment Appeals are now complete.*

University of Manitoba:

1998 Tax Base Year (*Negotiated Settlements*)

Medical School – 770 Bannatyne Ave. (12-2-617185) the original assessment for this property was \$12,634,000 and was revised to \$9,106,000. This reduced the assessment by \$3,528,000 a negotiation that was reached between LMS and the City of Winnipeg. Medical School – 730 William

Ave. (12-2-616274) the original assessment for this property was \$14,041,000 and was revised to \$11,980,000. This reduced the assessment by \$2,061,000 a negotiation that was reached between LMS and the City of Winnipeg.

1999 Tax Base Year

Medical School – 770 Bannatyne Ave. (12-2-617185) the original assessment for this property was \$12,634,000 and was revised to \$9,106,000. This reduced the assessment by \$3,528,000 a decision that was made at the Board of Revision.

1995 Tax Year

Fort Garry Campus – LMS is presently proceeding to the Municipal Board for the 1995 tax year. *Note – this does not mean tax base year.*

St. Boniface Community College:

1995 Tax Base Year

LMS negotiated a reduction in assessment of \$1,308,000 with the City of Winnipeg.

1996 Tax Base Year

LMS negotiated a reduction in assessment of \$1,308,000 with the City of Winnipeg.

1997 Tax Base Year

LMS negotiated a reduction in assessment of \$1,308,000 with the City of Winnipeg.

1998 Tax Base Year

LMS negotiated a reduction in assessment of \$1,407,000 with the City of Winnipeg.

1999 Tax Base Year

LMS negotiated a reduction in assessment of \$1,407,000 with the City of Winnipeg.

Total Grant-in-Lieu of taxes refunded to St. Boniface was \$214,988.

University of Winnipeg:

1996 Tax Base Year

515 Portage Ave. – The original assessment for this property was \$38,353,000 and was revised to \$34,766,000. This reduced the assessment by \$3,587,000 a decision was made at the Board of Revision.

1998 Tax Base Year

515 Portage Ave. – The original assessment for this property was \$36,847,000 and was revised to \$35,000,000. This reduced the assessment by \$1,847,000 a decision made at the Board of Revision.

368 Spence St. – The original assessment for this property was \$9,984,000 and was revised to \$9,710,000. This reduced the assessment by \$274,000 a decision made at the Board of Revision.

515 Portage Ave. – The original assessment for this property was \$35,000,000 and was revised to \$36,617,000. This increased the assessment by \$1,617,000 a decision that was made at the Municipal Board.

Red River Community College:

1995 Tax Base Year

2055 Notre Dame Ave. – The original assessment for this property was \$66,761,000 and was revised to \$55,537,000. This reduced the assessment by \$11,224,000 a decision that was made at the Municipal Board.

1998 Tax Base Year

2055 Notre Dame Ave. – The original assessment for this property was \$61,690,000 and was revised to \$53,000,000. This reduced the assessment by \$8,690,000 a decision that was made at the Board of Revision.

PROCESSING ACTIVITIES

During the fiscal year, the Agency processed 2,869 files of which 207 were current acquisition files and 2,662 were backlog files finalizing 293 registered survey plans. 7 expropriation projects affecting 14 owners were undertaken this year. In addition, 44 survey plans were certified for registration, generating additional backlog files for processing.

The processing section performed 339.92 hours of work on behalf of client departments and dealt with 105 additional files requiring miscellaneous processing functions at the request of client departments or affected landowners.

Of the 2,662 backlog files processed, 2,382 were for Manitoba Highways, 202 were for Conservation and 78 for Conservation Districts.

SALES AND LEASING ACTIVITIES

Proceeds of \$238,329 was realized from the sale or lease of surplus Government land and buildings on behalf of 7 client departments during 1999/2000.

Agency activities also encompass the ongoing conveyance of abandoned railway right-of-way, based on the 1981 and 1987 Gifting Agreements. At the end of 1999/2000 a total of 1,506 parcels have been sold to individuals. Seventy-five (75) of these parcels are pending conveyance to the purchasers because their adjacent land is mortgaged. These files will be finalized as the mortgages are discharged.

SALE OF SURPLUS PROPERTY

The Province has expressed a desire to liquidate property surplus to the current requirements of government. Several aspects related to this initiative have impeded Land Management Services' ability to proceed with dispositions of the rate expected namely:

Government Departments in general have not been active in identifying their surplus properties to the Agency. Departments which have administration of lands have limited staff resources to review their property inventory.

Departments do not have funds allocated to engage LMS staff to review the departments' land inventory. Frequently, time and disbursements incurred to review and prepare a property for sale add significantly to the overall costs to finalize a sale. As a result, in many cases the total costs exceed the property's estimated market value. Properties of this type typically include land not suitable for development, or land required to be consolidated with adjacent privately owned property. Examples of this work may include property titles being put in order before the property may be offered for sale and/or legal survey work to identify the boundaries of the surplus property within a larger holding.

By limiting the number of properties identified as available for disposition,

government faces ongoing annual costs including the payment of Grants-in-Lieu of Taxes and maintenance responsibilities for property not required. In addition, the government continues to risk potential liabilities that are associated with owning property. By not disposing of surplus property on a timely basis, an opportunity to reduce the annual government budget and generate revenue to pay down the debt is delayed.

Through a Continuous Improvement Initiative undertaken by LMS, there has been a review of the process to identify surplus property. This review has resulted in each of the various departments responsible for properties subject to the payment of Grants-in-Lieu of property taxes.

LMS continues to consider alternate methods that would reduce the financial burden of a department to identify surplus property and still provide overall cost recovery on the disposal to LMS. For example, Treasury Board approved LMS' 1998/99 business plan submission to allocate \$200.0 annually from its retained earnings to cover fees and disbursements incurred to dispose of surplus properties where the cost to dispose of a property exceeds the revenue generated by the sale.

FUTURE OF FLOODWAY TRENDS

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Bird's Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for the Bird's Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right of Way" section of the Highways Branch of the then Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land. It appears the more difficult an owner was to deal with, the greater the compensation paid.

In an effort to bring consistency and uniformity to the process of real estate acquisition by government, The Land Acquisition Act (the Act) was passed into law in 1965. That Legislation created The Land Acquisition Branch (the Branch) and The Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by the Provincial Government, departments and

agencies, with the exception of The Manitoba Agricultural Credit Corporation, The Manitoba Development Fund and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for government purposes. The LVAC reviewed all purchases and arbitrated compensation disagreements, to ensure all property owners received fair compensation.

It soon became evident that the new and uniform procedures for purchasing land by government developed a sense of trust in the minds of affected landowners and produced a willingness to negotiate the sale of their property, without the Government resorting to the more costly and often criticized method of expropriating land for Provincial projects.

From its inception, all costs for the staffing and administration of the Branch, other than acquisition costs, were paid from the Consolidated Fund. On April 1, 1995, the Branch was created a Special Operating Agency, known as Land Management Services (LMS), with a mandate to recover all costs for staffing, administration and acquisition from the client department or agency.

The concept of the client funding the staffing and administration costs that is consistent with the private sector have never been fully accepted by the clients and, where possible, to avoid these costs, they have been attempting to circumvent the use of LMS for appraising and purchasing land on behalf of government despite information meetings and marketing brochures that have been distributed to all clients promoting the

"One Stop Shopping" for Real Estate Services provided by the Agency . If this trend is permitted to continue, the uniform procedures established by the Land Acquisition Act, for purchasing land by government, as well as the landowners sense of trust to fair and equitable treatment will be lost and future government land acquisition programs will return to the methods that existed in the 1950's, which were perceived to be inequitable and disorganized.

LMS is considering retaining the services of a marketing consultant. One of the tasks of this employee will be to promote LMS as a uniform service provider for all of the Provincial Government as anticipated in the Legislation which created the Land Acquisition Branch.

FINANCIAL HIGHLIGHTS – 1999/2000

		1999/2000	1998/1999
		(Amounts in Thousands)	
INCOME STATEMENT	Income before expenses	\$ 2,752	\$ 2,807
	Expenses	\$ 2,544	\$ 2,643
	Net Income	\$ 208	\$ 164
BALANCE SHEET	Working Capital	(\$ 168)	\$ 291
	Total Assets	\$ 1,855	\$ 2,134
	Total Liabilities	\$ 1,310	\$ 1,297

PERFORMANCE HIGHLIGHTS – 1999/2000

APPRAISAL	Agreements taken	154	208
	Appraisals completed	95	132
	Expropriations	10	27
PROCESSING	Files processed	2,662	2,530
SALES AND LEASING	Sale of property proceeds ⁽¹⁾	\$225,267	\$1,151,779
	Proceeds relinquished ⁽²⁾	-	\$ 42,589
	Proceeds marginal sales	\$ 13,062	\$ 7,475

(1) Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS's clientele.

(2) Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS's disposal fees and not the assessed/appraised value of the property.

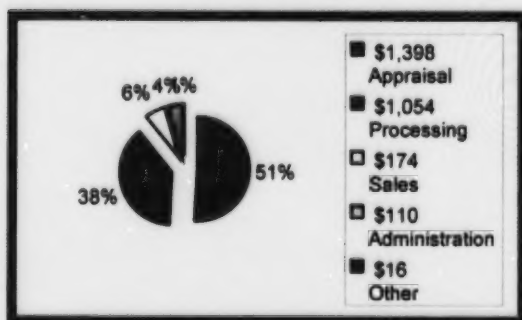
MANAGEMENT DISCUSSION AND ANALYSIS

ACTUAL TO BUDGET FINANCIAL ANALYSIS

REVENUES:

LMS offers professional real estate services on a fee-for-service basis to support activities, which are unavailable from existing private sector services. Actual revenues of \$2,752 were achieved for the 1999/2000 fiscal year, which exceeded budgeted revenues of \$2,711 by \$41 or by 1.5%. The breakdown of the sources of revenues by LMS activity is as follows:

SOURCE OF REVENUES
(in thousands)



LMS receives most of its revenues from Provincial Government Departments. The Department of Highways and Transportation, Department of Natural Resources and Manitoba Housing and Renewal Corporation provide approximately 90% of the revenues.

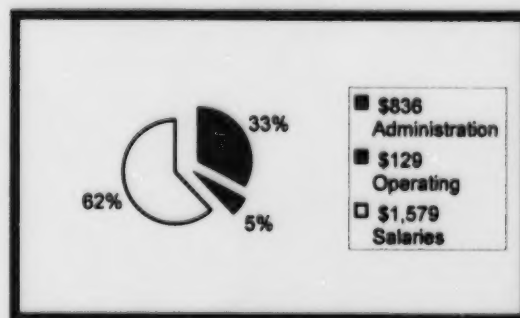
EXPENSES:

Total expenses for fiscal 1999/2000 were \$2,544 compared to the budgeted amount of \$2,185. Expenses exceed budget by \$359, the majority of this variance came from two areas.

- i) Information systems cost exceeded budget by \$207. This was a result of system problems and higher development cost with both the system implementation and integration with the Desktop Provincial Wide Area Network to existing systems.
- ii) Wages and benefits exceeded budget by \$127. No budget was in place for casual and term employees to aid in special projects. This decision was in line with Treasury Board directives. Increases in severance and pension costs were another contributor.

LMS has continued to develop and improve the information systems to the benefit of both LMS and its clients. The ability to accumulate and report concise and pertinent statistical and financial data allows for the monitoring of the performance of individual projects and operations, allowing management to make informed decisions.

SOURCE OF EXPENSES
(in thousands)



ADVISORY BOARD

Supporting the Initiative The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and to the private and public sectors. The Board meets quarterly to review the Agency's Financial Reports, and annually to review the Business Plan, Annual Report, and any planned changes to the Agency Charter.

Chair		Gerry Berezuk A/Deputy Minister Manitoba Government Services
Secretary		Rod Higgins Assistant to the Deputy Minister Manitoba Government Services
Members	Private Sector Representatives	Norm Fiske Partner Sill & Company
		Raymond West Retired, Chairman of the Board A.E. McKenzie Co. Ltd.
	Client Representatives	John Hosang Assistant Deputy Minister Manitoba Highways & Transportation
		Al Macatavish Vice President, Transmissions and Distributions Manitoba Hydro
	Staff Representative	Fazil Bacchus Disposal Officer Land Management Services
	Ex Officio	T. Danowski A/Assistant Deputy Minister Manitoba Government Services
	Ex Officio	Doug Parnell Chief Operating Officer Land Management Services

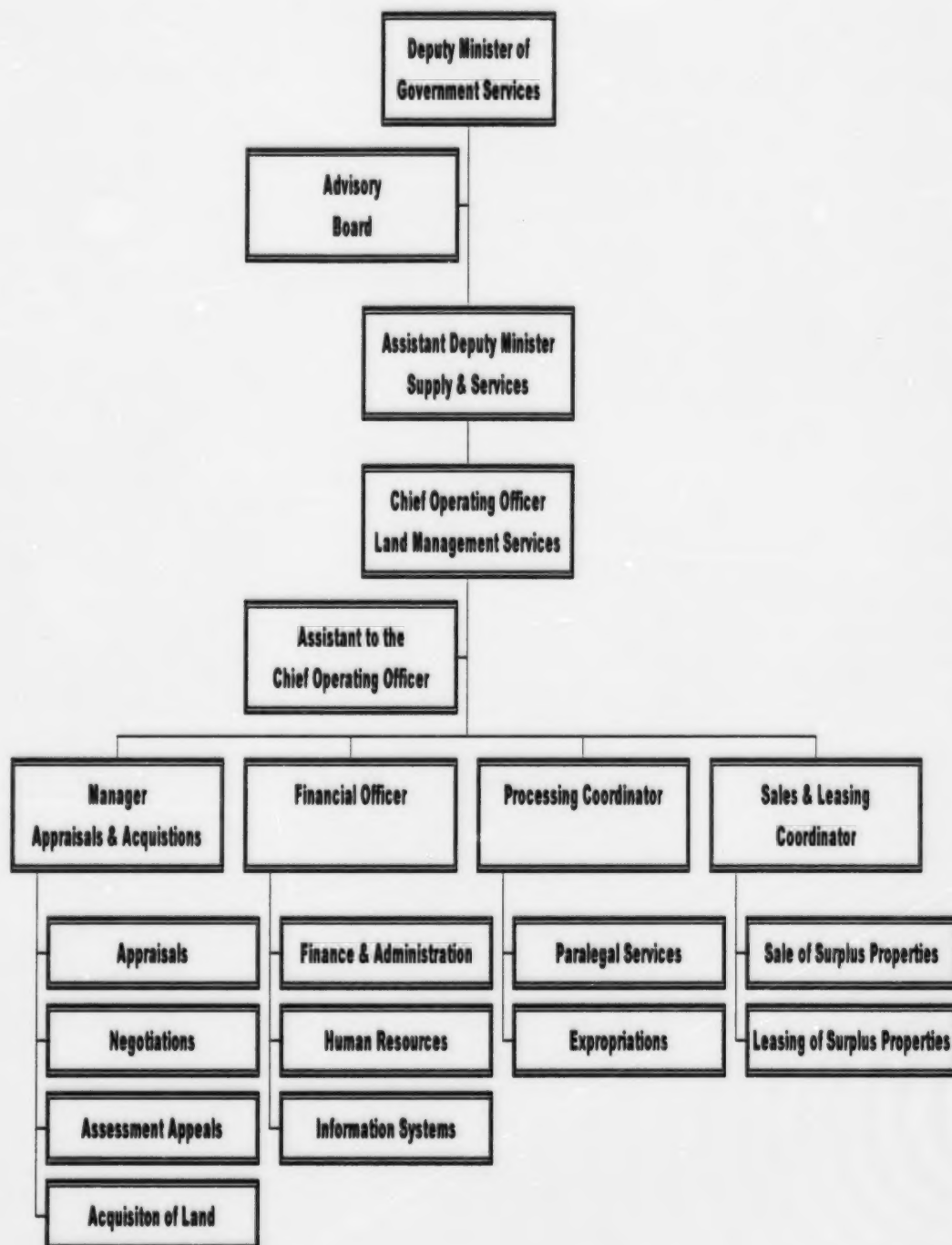
LAND MANAGEMENT SERVICES LOCATIONS

Portage la Prairie	308 – 25 Tupper Street North Portage la Prairie MB R1N 3K1	Phone: (204) 239-3510 Fax: (204) 239-3560 Email: info@lms.portage.net
Brandon	304 – 340 9 th Street Brandon MB R7A 6C2	Phone: (204) 726-6774 Fax: (204) 726-8161 Email: wesman@lms.gov.mb.ca
Dauphin	27 – 2 nd Avenue SW Dauphin MB R7N 3E5	Phone: (204) 622-2045 Fax: (204) 638-6428 Email: efroese@lms.gov.mb.ca

AGENCY CONTACTS

<u>CONTACT</u>	<u>TELEPHONE</u>	<u>E-MAIL</u>
Doug Parnell Chief Operating Officer	239-3520	dparnell@lms.gov.mb.ca
Lawrence Mayer Assistant to the Chief Operating Officer	239-3521	lmayer@lms.gov.mb.ca
Normand LeNeal Finance Officer	239-3522	nleneal@lms.gov.mb.ca
Rae Csversko Manager, Appraisal and Acquisition	239-3561	raec@lms.gov.mb.ca
Rod Kent Coordinator, Sales and Leasing	239-3526	rkent@lms.gov.mb.ca
Rachelle Leclerc Senior Processing Clerk	239-3538	rleclerc@lms.gov.mb.ca

ORGANIZATION CHART



FINANCIAL STATEMENTS

APPENDIX "A"
(THE EXCHANGE GROUP)

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2000

LAND MANAGEMENT SERVICES

MARCH 31, 2000

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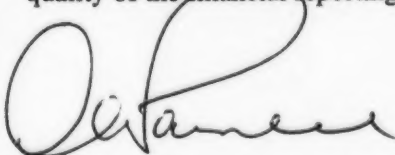
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**Land Management Services
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Responsibility of Financial Reporting**

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Group - Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.



Doug Parnell
Chief Operating Officer

June 2, 2000



THE EXCHANGE

chartered accountants

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

THE EXCHANGE
chartered accountants

Winnipeg, Manitoba
June 2, 2000



LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
ASSETS		
CURRENT		
Accounts receivable	\$ 439	\$ 514
Accounts receivable - Province of Manitoba	320	320
Work in process	92	231
Prepaid expenses	<u>21</u>	<u>239</u>
	872	1,304
 PENSION TRUST, note 6	 385	 286
 CAPITAL, notes 2 and 3	 <u>597</u>	 <u>546</u>
	<u>\$ 1,854</u>	<u>\$ 2,136</u>
LIABILITIES		
CURRENT		
Working capital payable, note 4	\$ 271	\$ 192
Accounts payable and accrued liabilities	229	190
Accounts payable - Province of Manitoba	<u>134</u>	<u>404</u>
	<u>634</u>	<u>786</u>
 PENSION LIABILITY, note 6	 385	 286
SEVERANCE LIABILITY, note 7	<u>205</u>	<u>195</u>
	<u>590</u>	<u>481</u>
 FUNDS HELD IN TRUST	 <u>86</u>	 <u>32</u>
EQUITY		
 RETAINED EARNINGS	 <u>544</u>	 <u>837</u>
	<u>\$ 1,854</u>	<u>\$ 2,136</u>

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
RECOVERIES	\$ 2,736	\$ 2,787
OTHER INCOME	<u>16</u>	<u>19</u>
INCOME BEFORE EXPENSES	<u>2,752</u>	<u>2,806</u>
EXPENSES		
Administrative, page 10	836	782
Operating, page 10	129	374
Wages and benefits, note 5	<u>1,579</u>	<u>1,487</u>
	<u>2,544</u>	<u>2,643</u>
NET INCOME	208	163
RETAINED EARNINGS, beginning of year	<u>836</u>	<u>1,173</u>
	1,044	1,336
REVENUE SHARING - Province of Manitoba	<u>(500)</u>	<u>(500)</u>
RETAINED EARNINGS, end of year	<u>\$ 544</u>	<u>\$ 836</u>

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
OPERATING ACTIVITIES		
Cash flows from operations		
Net income	\$ 208	\$ 163
Add: non-cash charges		
Amortization	175	132
Loss on disposal of fixed assets	<u>32</u>	<u>-</u>
	<u>415</u>	<u>295</u>
 (Increase) decrease in non-cash working capital		
Accounts receivable	75	131
Work in process	139	(82)
Prepaid expenses	218	(238)
Pension trust	(99)	(286)
Accounts payable and accrued liabilities	39	(189)
Pension liability	99	82
Severance liability	10	8
Sale of surplus properties	(271)	404
Funds held in trust	<u>54</u>	<u>-</u>
	<u>264</u>	<u>(170)</u>
 Cash flows from operations	679	125
 FINANCING ACTIVITIES		
Revenue sharing paid	(500)	(500)
 INVESTING ACTIVITIES		
Additions to capital assets	<u>(258)</u>	<u>(260)</u>
 DECREASE IN CASH	(79)	(635)
 CASH, beginning of year	<u>(192)</u>	<u>443</u>
 CASH, end of year	<u>\$ (271)</u>	<u>\$ (192)</u>
 REPRESENTED BY:		
Working capital payable	<u>\$ (271)</u>	<u>\$ (192)</u>

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government.

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister of Highways and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LMS have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Computer software and equipment	- 20%, straight-line basis, 10% in year of acquisition, software purchases less than \$1.0 are expensed in the year of acquisition
Equipment - office	- 20%, straight-line basis, 10% in year of acquisition on purchases over \$1.0

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2000 Net Book Value</u>	<u>1999 Net Book Value</u>
Computer software and equipment	\$ 965	\$ 385	\$ 580	\$ 521
Equipment - office	<u>39</u>	<u>22</u>	<u>17</u>	<u>25</u>
	<u>\$ 1,004</u>	<u>\$ 407</u>	<u>\$ 597</u>	<u>\$ 546</u>

4. WORKING CAPITAL

LMS has an authorized line of working capital of \$800 of which \$271 was used as at March 31, 2000.

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

5. THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding \$50 annually to any officer or employee of the Agency. The following employees received compensation in excess of \$50:

<u>Name</u>	<u>Position</u>	<u>2000 Amount</u>	<u>1999 Amount</u>
Doug Parnell	Chief Operating Officer	\$77	\$74
Raeburn Csversko	Manager Appraisals/Acquisitions	\$61	\$58
Garfield Minkus	Property Appraiser	\$57	\$55
Wes Shewchuk	Property Appraiser	\$53	\$54
Scott Millar	Property Appraiser	\$53	\$51
Richard Staub	Property Appraiser	\$54	\$50
Jerry McLeod	Property Appraiser	\$50	

6. PENSION LIABILITY

LMS is responsible for the pension liability incurred for their employees from the date of designation as a SOA. LMS has recorded this obligation effective for the year ended March 31, 1998. LMS will continue not to be a funded employer and will not turn funds over to the Superannuation Fund to administer. Instead, LMS will deposit in this account an amount equal to the pension liability recorded at March 31, 1998, plus an amount equal to employee contributions from April 1, 1998 to date. The methodology for calculating the liability has been determined in conjunction with the Province, which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

7. SEVERANCE PAY BENEFITS

Effective April 1, 1998, the LMS is recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from LMS. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability as at April 1, 1998 of \$188 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable, and the amount will remain fixed at \$188.

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2000

8. YEAR 2000 COMPLIANCE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

LAND MANAGEMENT SERVICES
(An Agency of The Special Operating Agencies Financing Authority - Province of Manitoba)

SCHEDULE OF EXPENSES
(In Thousands)
YEAR ENDED MARCH 31, 2000

	<u>2000</u>	<u>1999</u>
ADMINISTRATIVE		
Amortization	\$ 175	\$ 132
Contributed services	101	17
Computer maintenance	276	442
Human resources overhead	18	20
Occupancy costs	117	117
Other	39	13
Supplies	101	29
Training	<u>9</u>	<u>12</u>
	<u>\$ 836</u>	<u>\$ 782</u>
OPERATING		
Printing, postage and advertising	\$ 23	\$ 84
Professional fees	36	117
Telephone	34	65
Travel and accommodation	<u>36</u>	<u>108</u>
	<u>\$ 129</u>	<u>\$ 374</u>

FINANCIAL STATEMENTS

APPENDIX "B"
(THE EXCHANGE GROUP - SALE
OF SURPLUS PROPERTIES)

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2000



THE EXCHANGE

chartered accountants

AUDITORS' REPORT

To Land Management Services

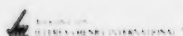
We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2000. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2000, in accordance with generally accepted accounting principles.

THE EXCHANGE
chartered accountants

Winnipeg, Manitoba
June 2, 2000



LAND MANAGEMENT AGENCY
SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED MARCH 31, 2000

Total Receipts	\$ 316,124
Total Disbursements	<u>584,953</u>
Deficiency of receipts over disbursements	<u>\$ (268,829)</u>

NOTE: In 1998, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.